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PUBLIC PLANNING AND PRIVATE DECISION-MAKING IN ECONOMIC AND SOCIAL DEVELOPMENT

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PUBLIC PLANNING AND PRIVATE DECISION-MAKING IN ECONOMIC AND SOCIAL DEVELOPMENT

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1. Regardless of its name, every modern form of economic system combines some measure of public planning with some latitude for private decision-making. Even in the freest of market economies, the government's own expenditures are planned in accordance with annual requirements and with the anticipated longer-range needs for those services considered appropriate for it to provide, and many large private enterprises plan their investment and market development programs for five or ten years ahead. Even in the most centralized socialist economies, the planning and administering authorities must take into account the probable responses of individuals and of local institutions to central government directives regarding production, consumption, saving and investment. Hence, the task of harmonizing public and private decision-making confronts every modern economic system, though in different forms and in different degrees.

2. The less-developed countries are in the process of working out reconciliation of public and private decision-making which are relevant to the character of their economies, consistent with their social values, and more or less effective in achieving their chosen goals. The variation is very wide, ranging from such countries as Mexico, Brazil, and Argentina, in which private decision-making in the free market plays the major role, to countries like Niger and Chad, in which the modern sector of the economy consists of a few government-owned or foreign-owned enterprises of various kinds. In consequence, the guidelines and suggestions which we hope to develop cannot be equally valid for every developing country.

I. Functions of Government Planning and Private Decision-Making in Less-Developed Countries.

3. To a greater or lesser degree, the countries of Latin America, Asia and Africa are faced with common difficulties in seeking to accelerate their economic and social advancement. Among the problems relevant to the subject of this paper are: (a) the inadequacy of the existing infrastructure (transportation and communication, energy and power facilities, etc.) and social capital (education, health and housing facilities, etc); (b) the shortage of investment capital; (c) the limited supply of managerial and technical skills; (d) the inadequate incentives and institutions for stimulating productive investment and increasing productivity; and (e) the heavy dependence upon foreign trade and external aid for obtaining the capital funds and the capital goods required for economic and social development. In such circumstances, governments have had to assume responsibility for discharging three types of functions in order to insure that economic and social development would actually occur in their countries.

4. The first function is that of national development planning. Broadly speaking, this function consists of defining the goals of the national development effort; estimating and mobilizing the necessary domestic and foreign resources of money and skills; and allocating or guiding them to those specific uses which seem likely to make the greatest contributions to achieving the national goals. This function may be carried out by explicit preparation of a long-range national development plan, as has been done in India and Pakistan and is now beginning in several Latin American countries. Or, it may be done implicitly and unsystematically, as was customary in many less-developed

countries until recently. Today, most countries have recognized that, to be effective, national development planning must be carried on in a deliberate and systematic way.

5. The second function of government in economic and social development is to initiate those investments and manage those activities which comprise the public sector of the economy. In every economic system, there are certain essential services which only governments can perform (national defense, maintenance of law and order, etc.). In addition, there are certain types of investments which are so large or so pervasive in their importance to the economy as a whole that it is necessary or desirable for the government to undertake them. These generally include certain kinds of infrastructure and social overhead capital.

6. However, the public sector may cover a much broader range of economic activities either by deliberate preference, as in socialist countries, or because there are no practical or acceptable alternative ways of conducting them. For example, in some less-developed countries, significant accumulations of capital exist in private hands, but these are often not invested in ways which directly and immediately contribute to economic growth. Traditional habits or present uncertainties may cause such private funds to flow into real estate, commodity transactions, money-lending, and other activities promising quick or large returns, which may eventually result in luxury consumption or investment abroad, usually in Western Europe or the United States. In other countries, there is no private capital or private sector of the economy in the modern sense of the term. In default of government initiative, too few private entrepreneurs would come forward to take advantage of such economic opportunities as may exist. Hence, for a variety of different reasons, the governments of many less-developed countries establish and operate, at least initially, some or all of the new economic activities that are envisaged under the national development plan.

7. The third function of government in economic and social development is to stimulate, guide and assist private initiative and activities so that they contribute to achievement of the national development goals. This function is necessitated by the same scarcities of capital and skills as have impelled governments to assume the national development planning function and the entrepreneurial and managerial functions comprised in the public sector of the economy. In most less-developed countries, neither the governments nor the ruling political parties possess the trained supervisory personnel, the technical skills, and the funds necessary to replace all significant privately-conducted activities by central planning and government operation of the economy. Determination of the output and consumption of certain types of activities and products -- especially those in services and consumer-goods industries -- seems to defy the detailed directives of central planners. Moreover, there are always potential sources of capital, talents and initiative that are unavailable to governments, particularly when they operate by compulsion, but which can be stimulated to manifest themselves voluntarily by appropriate incentives and encouragements. The less developed a country, the less it can afford to neglect the potential resources that could be activated only voluntarily and in decentralized, non-governmental forms.

8. In addition, the more numerous and detailed the entrepreneurial and managerial decisions that have to be made by the central government authorities, the slower, more cumbersome, and less flexible the operation of the economy becomes. Most less-developed countries have found that the market mechanism is a much less wasteful way of making many kinds of economic decisions and for getting many kinds of economic tasks accomplished. A system of centralized direction of production, investment and consumption is also susceptible to political pressures and the ponderous inflexibility of bureaucratic control. Some of the socialist countries have recognized this deficiency of a large, centralized public sector, and have tried to solve their problems by decentralizing many economic decisions and activities and providing market-type incentives and pressures for guiding them. Yugoslavia is the leading example of such a country.

9. Also, many less-developed countries have concluded that there are substantial benefits to be derived from attracting responsible private investment from the more developed countries. Continuing, well-conducted enterprises established by foreign companies and businessmen in less-developed countries significantly increase the amount of capital available for productive investment; disseminate much needed managerial and technical skills among the local population; and create opportunities for -- and often provide financial and technical assistance to -- indigenous enterprises to get started

as suppliers of the materials, components and services required for their own operations.

10. There is a wide variety of different ways by which the government carries out its third function of stimulating and channelling private economic initiative and activity. (See section IV B). Thus, it is able to select the particular combination of policy measures that seems best adapted to achieving national development goals in socially acceptable ways.

11. The question, then, which each less-developed country must answer for itself is which economic decisions and activities can best be undertaken by the government and which by private institutions and individuals. This choice is sometimes deliberate, but more often it grows out of the historical background and existing socio-political structure of the country.

II. The Participants in Public Planning and Private Decision-Making.

12. In order to clarify the interplay between public planning and private decision-making, the actors or participants have to be defined.

A. In the Public Sector

13. Though we usually speak of the government, it must be remembered that the term covers a multitude of ministries, departments and agencies, each engaged in planning its own activities. These include not only the several ministries or departments of the central government, but also those of provincial and local governments, as well as quasi-governmental agencies, such as social security funds, central banks, development banks and corporations, port authorities, railroad administrations, public utilities, highway commissions, government-owned and managed manufacturing enterprises, and so on. The planning of each of these governmental institutions has a greater or lesser effect on consumers, workers, and private enterprises. Each of these units of government is interested in specific policies and often subject to pressures from various groups in the population.

14. The multitude of activities and effects of the various parts and levels of government can themselves be planned only if there is some central planning agency which coordinates and directs planning for the government as a whole. The central planning agency has different locations in various countries. In some, it is located under the jurisdiction of one of the ministries (economics or finance); in others, it is organized as a ministry of its own; and in still others, it is an agency under the jurisdiction of a Planning Council in the office of the country's Chief Executive. National development planning is not a separate activity isolated from the other functions of government. Like budget-making, it is intimately related to all functions. Therefore, it can be effectively carried out only if, regardless of the location of the planning agency, it has the full backing of the country's Chief Executive, who is responsible for all official policies. This dependence on the highest governmental authority is best symbolized when the national development planning function is performed by an agency in the office of the Chief Executive, or the Prime Minister, and when he is directly involved in the planning process as head of a Planning Council.

15. Generally, the sectoral and functional programs contained in the national development plan can best be prepared and implemented in a decentralized manner by the individual ministries, departments and agencies concerned. However, in some less-developed countries with a scarcity of government planning personnel, the central agency may have to take on the additional functions of guiding the programming activities and training the programming personnel of the individual governmental and quasi-governmental agencies of the central administration and of provincial and local authorities.

B. In the Private Sector

16. There is no simple way of defining the many different kinds of nongovernmental enterprises and activities that play significant roles in national development efforts. A definition by enumeration will be clearer than a definition by characterization.

17. In some less-developed countries, nongovernmental activities in commerce and industry may take the form of corporate enterprises similar to the business corporations of the United States and Western Europe. In many other less-developed countries, the most important commercial, industrial and financial activities in the private sector are individual and family proprietorships, like those that predominated in the

highly-industrialized nations at earlier stages of their development. However, in most parts of Africa, Asia and Latin America, the numerically largest portion of private economic activity is in agriculture and takes the form of large estates and of small peasant farms, the latter producing either cash crops, or subsistence crops, or a mixture of both.

18. In recent years, other forms of nongovernmental economic activity have been established in less-developed countries and have been assuming increasing importance. These include producers and marketing cooperatives, predominantly in agriculture; credit unions and other types of cooperative saving and lending institutions; productive enterprises financed or managed by trade unions, political parties, kinship groups, etc.; and similar institutions. In addition, there are various kinds of local community projects and village organizations. Though many of them may be officially sponsored or government financed, their operations largely depend upon the voluntary initiative and labor of their members, and they may be properly classified as part of the private sector.

19. Less numerous, but economically more significant, are various forms of joint government/private ventures, involving the participation of local entrepreneurs, and often of foreign companies, which contribute capital and managerial and technical "know-how". When, as is most often the case, the private participants in such joint enterprises are responsible for management, these activities, too, may be considered part of the private sector.

20. The less-developed and more traditionalist a country, the more private economic activities will be of a subsistence nature in agriculture and characterized by a static outlook in commerce, banking and industry. If these traditionalist and static enterprises are to contribute more effectively to economic growth, their motivation and decision-making have to be reoriented toward the prospects for future expansion and growth. One essential element in bringing about such a dynamic transformation is to enlist the active participation of the numerous, smaller types of private enterprises in the national planning effort.

21. Generally, it is only the larger, more modern, and more productive private enterprises, including the subsidiaries of North American and West European countries, that are oriented toward longer-term growth expectations. Some follow the practice, increasingly prevalent in the developed countries, of undertaking their own long-range planning of investment and market development within the framework of the national development plan. Such private planning plays a most important role in ensuring that the private sector will make the fullest possible contribution to achieving the goals of the national development effort.

III. The Character of Planning in Less-Developed Countries.

22. The publication of a plan is merely one stage in national development planning. The process as a whole consists not only of preparing the plan, but also of debating and adopting it, implementing it, and then comparing actual performance with the plan and revising it periodically on the basis of experience.

23. A national development plan always should have a long-range perspective covering general goals for at least ten years ahead, and more details of specific objectives for an intermediate period of four or five years. It should be an operational tool, closely related to the annual government budget, particularly for the short-run period of the next year or two. Operational shorter-term and perspective longer-term planning should be in fluid interrelationship, particularly through the "feed-back" effect made possible by effective progress reporting and evaluation, and periodic revisions.

24. In an economy in which private decision-making plays the major role, the national development plan establishes goals for social and economic development; determines the programs in the public sector; presents forecasts of agricultural, industrial and commercial investments in the private sector; and estimates the international transactions needed to realize the objectives. These estimates of investments in the private sector and of international transactions are of a different character and significance from the detailed investment programs prepared for the public sector.

25. In the public sector, the government can determine the specific programs needed and can then direct the execution of these programs. However, even in the public sector, there is an important qualification. These programs are financed either by voluntary private savings and taxation, or by forced savings of various kinds, such as inflation, restriction of consumption, compulsory labor, etc. While the programs are determined in part on the basis of estimates of the productive facilities, manpower and skills needed to achieve the national development objectives, the expected growth in turn is the most important factor determining the financial resources which will become available.

26. In the private sector there is the additional task of estimating the likelihood that private domestic and foreign decision-makers will in fact engage in the activities postulated by the plan. In addition, it is important to know the amounts and kinds of consumption which would be compatible with the national development goals and with the public programs subject to government direction. For this purpose, the plan has to contain consistent relationships among investments in public undertakings (infrastructure), in social capital (education, health, housing), in directly-productive enterprises (public and private), and among government and private savings, consumption, and the other major components of the national domestic and external accounts. For the private sector, the estimates have not only to be consistent with the public sector and with the plan as a whole; they must also be realistic -- that is, they must represent realistic forecasts of consumer actions, personal and private institutional savings, etc.

27. The government can influence consumption by price, tax, wage and other policies and by a number of other devices discussed in the next section. For the determination of these policies, the plan has to serve as a guide. Thus, the estimates of the sectors in the economy which are not under direct government control commonly consist of forecasts of actions of private decision-makers as they are likely to behave under the influence of government policies specifically designed to affect their behavior. The realism of the forecast depends in part on the degree of influence the government can and intends to exert over the behavior of the private sector.

28. The uncertainty is inevitably greater with regard to the estimates of international transactions embodied in the plan. A country that depends largely on exports of a few primary products traded on world markets can usually exert little influence on the prices and quantities of these exports. Hence, this item in the plan must be treated as independently given data. In contrast, other variables in the plan are subject to a greater or lesser degree of direct or indirect control (e.g. imports), and can be so adjusted as to be compatible with the independent factors. Because forecasts of the more or less independent factors may turn out to be erroneous and because these factors themselves cannot be significantly influenced by government policies, it is always prudent to provide contingency measures for adjustment in the other controllable sectors in case adverse developments occur; for example, if export earnings are less than expected.

29. In forecasting investments in the private sector, an important distinction needs to be made between what may be called "strategic" investments and "collateral" investments. The former relate to increases in capacity in key industries which are essential for the fulfillment of other parts of the plan. These private investments are often projected on the basis of actual negotiations between the planning agency and the private enterprises concerned. As to the collateral investments, they may be estimated on the basis of surveys of the intentions of private enterprises, taking into account the fact that new investment opportunities arise with expanding markets. Inclusion of a projection of collateral investment in the plan is necessary in order to estimate the total demand for funds and the total increase in productive capacity which are likely to be forthcoming. These estimates are, however, less firm than those for the strategic investments and are subject to a considerable margin of error.

30. It has not been possible in the short space available to indicate more than a few of the many ways in which goal setting, program determination, forecasting, and choice of implementation policies interact with one another in the complex process of planning for economic and social development. The essential role which the forecasting,

or projection, of the main components of the national accounts and balance of payments plays in the planning process is not always sufficiently recognized. Conversely, it is sometimes denied that any process which relies so heavily upon forecasting can legitimately be called planning. Those who hold this view maintain that national development planning is only possible if the government has, and is willing to use, the power of directly determining all significant decisions in the economy concerning production, consumption, saving and investment.

31. Such a narrow definition of planning is neither accurate nor useful. It is not accurate because all national economic plans, even those of the most centralized and authoritarian socialist countries, contain an important element of forecasting the probable future behavior of individuals and organizations. The level and composition of consumer demand as specified in the plans of centralized socialist economies are essentially estimates of the likely behavior of consumers under certain conditions fixed by the government, rather than directives that will inevitably be obeyed, or which could be exactly enforced. The production goals fixed by central socialist planners, particularly in agriculture, contain a large measure of uncertainty -- and to that extent are forecasts -- because they are based upon assumptions about the effects on productivity not only of the weather and other natural phenomena but, more importantly, of the attitudes and motivations of farmers and other producers. The external transactions posited in the plans of socialist economies also contain a large element of forecasting. Their inability to control the behavior of world markets and of other governments is one reason why these countries strive to minimize their dependence upon imports -- especially from noncommunist economies -- despite the higher costs often involved in such autarkic policies.

32. Indeed, planners of all ideological persuasions have to recognize the fact that governments have only a limited capacity to influence or offset the effects of certain developments, such as a drop in the world prices of primary products, natural catastrophes, the initiative and conscientiousness of the individual citizen, and the variability of producer and consumer responses. Also, a country cannot enjoy the advantages of vigorous innovation and enterprise without giving the managers of private and public enterprises a high degree of freedom from bureaucratic regulations and political interference. However, no country pursuing a determined policy of social and economic development could expect that all required adjustments in the plan would be made only in the public sector. A successful economic and social development plan depends on the ability to work out a constructive relationship between government planning and private decision-making, particularly with respect to strategic investments.

IV Techniques for Harmonizing Public Planning and Private Decision-Making.

33. For each country, the major elements in its national development plan can be ranged from those which are most independent of control, such as foreign trade and the weather, to whose which are susceptible of control by the government, such as public expenditure programs. In between, are the many factors in which private decision-making predominates but is subject to more or less influence by government policies. Thus, every plan implies some combination of direct implementation through government action, and indirect implementation through the guidance provided by government policies and by the planning process itself for the actions of private decision-makers.

34. While public and private economic activities should be conducive to realization of the goals of the national development effort, they do not always have this character. In the public sector, governments may not make the necessary decisions or may not carry them out effectively, for a variety of political and social reasons. Similarly, the results of private decision-making may not always contribute to economic and social advancement, and in some cases may be counter to it, again for a variety of reasons. Insofar as the causes are accessible to remedial action -- and this is not always possible at any given stage of a country's political and social evolution -- there is a variety of techniques for harmonizing public planning and private decision-making with one another and with the goals of the national development effort.

A. The Announcement Effect of the Plan.

35. A national economic development plan will generally specify the amounts of

investments in the different branches of industry in the private sector which are consistent with the other elements of the plan and are required for the increase in production posited as a goal for a future year. The problem is to maximize the probability that private decision-makers will actually undertake the investments proposed in the plan.

36. A major factor working toward this result is what has been called the "announcement effect" of the plan. If the managers of private enterprises are convinced that the government is determined to execute the programs and actions required of it in the public sector and, hence, that there is a good change that the development goals could be achieved, then the plan for the private sector represents not only what is required of private enterprises but also reveals the opportunities for expansion likely to occur in various industries. In effect, it becomes a matter of self-interest on the part of entrepreneurs to increase productive capacity in line with the opportunities highlighted in the plan. This result depends, of course, on the conviction that the plan is feasible and that the government and other private decision-makers will play their respective roles. Success breeds success, and the "announcement effect" can be a continuing one rather than a one time event.

37. It is particularly important for the success of the "announcement effect" that the investments be made which provide the transportation and energy facilities and other elements of infrastructure required for expansion of the private sector. Public educational and training programs and housing for additions to the work force are often required for labor mobility and industrial expansion. Confidence in the plan can also be strengthened if representatives of private enterprises are consulted in the planning proces so that they have a sense of participation, and have an opportunity to explain the kinds, locations and timing of the infrastructure and social capital investments they believe are needed for the success of their own efforts. Such private participation in national development planning is discussed below.

B. Government Policies in Support of Private Investments.

38. Important as it can be, the announcement effect of the plan is not sufficient by itself to induce the required investments by the private sector. Assuming that the reasons for the lag are not primarily deficiencies in infrastructure or social capital, they are usually caused by a lack of capital available to the private sector; by absence of the required technology, skills or manpower; or by attitudes and motivations which are not conducive to increased investment or increased productivity. There is a variety of government policies which can help to fill these gaps and provide incentives and pressures for more productively oriented behavior by private individuals and organizations.

39. Fiscal and monetary policies of various kinds are important means by which governments can support the private sector. The government's budgetary policy has a major influence on the activities of the private sector through the size and timing of a surplus or deficit. Special tax benefits can be provided for stimulating productive investments, and differential rates may be used to discourage traditional kinds of investments which make little or no direct contribution to the national development goals. In providing such tax incentives, however, care must be taken to prevent possible misuse of them as tax "loopholes". Sometimes, the entire tax system needs to reformed in order to ensure that all groups in the population contribute equitably to the national development effort.

40. Through its ability to influence long and short-term interest rates, the government can ease the shortage of investment or operating capital available to the private sector from the commercial banks and other private lending institutions. More important in many less-developed countries than interest rate policy are the ways in which the government exercises direct control over credit availability, investment licensing, construction permits, rationing of capital obtained as foreign aid, etc.

41. Governmental policies relating to prices and wages can help to maintain the profitability of efficient enterprises within a framework of reasonable price stability. In addition, price policies for public enterprises can be designed which will improve the performance and prospects of private enterprises. Import and foreign-exchange policies can help the private sector to obtain the quantities and kinds of

capital goods, materials and components, and operating supplies which can only be purchased abroad; and they can also provide protection against foreign competition for "infant" industries.

42. Agricultural policy is particularly important in less-developed countries, for the agricultural sector often provides the major source of domestic savings for investments in infrastructure, social capital, and new industries; of the foreign-exchange earnings needed to import capital goods; of labor for new factories and service trades; of food to feed the growing population of the towns; and perhaps also of some of the raw materials required for manufacturing. The capacity of the agricultural sector to fulfill these functions exercises a major influence on the development of industry and other new activities. Hence, it is generally necessary to undertake extensive and continuing programs of technical assistance and vocational training in the countryside; to provide adequate credit facilities for agricultural improvement; to encourage the development of producers' and marketing cooperatives and other new forms of cooperation among small farmers; to build farm-to-market roads, irrigation systems and other installations; and to institute other measures required to increase agricultural productivity. In some countries, basic reform of the whole agrarian system is required before agriculture can begin to play its proper role in the national development effort.

43. Often, however, more direct measures of specific assistance to the private sector are needed. Development banks -- sometimes operating through industrial development corporations -- serve as important instruments for extending loans, and in some cases equity capital, to enterprises wishing to expand, or to new ventures, which lack the financial resources required for investment in accordance with the plan. Government subsidies have also been used, either in the form of low-interest loans or of outright grants to cover the initial deficits of new enterprises, public and private. Whether institutionalized in development banks and corporations or administered by regular government agencies (e.g. ministries of finance or industry), such government loans and grants form an important link between the public planning process, on the one hand, and the decisions of private enterprises, on the other. Their effectiveness is increased when development banks and corporations provide not only funds but also managerial advice, particularly to new enterprises.

44. A major contribution to the development of the private sector is made by government policies and measures for mobilizing external resources of funds, commodities and technical assistance, and making them available by various devices to private enterprises. These external resources may take the form of aid from international organizations and the governments of other countries; or they may be obtained through private foreign investment and the nonprofit activities of educational, research and philanthropic institutions, trade unions, cooperative societies, and other voluntary private groups in the developed countries.

45. There is also a regulatory or restrictive group of government policies, in addition to the measures of positive stimulation and assistance just outlined. It may sometimes happen that enterprises will invest faster than envisaged in the plan in order to gain an advantage over competitors or for other reasons. This may be beneficial except where, as in countries with a basic shortage of capital, it may divert resources from higher-priority purposes. In such cases, funds for financing "excess" expansion may have to be restricted.

46. Alternatively, it more often happens that, despite the government's incentives and subsidies, traditionally-oriented enterprises -- indigenous and foreign -- may not invest in the expansion or modernization of their facilities, which may play a strategic role in achieving the objectives of the plan. In this case, new entrepreneurs may be encouraged by the government, or it may itself have to make and initially operate the investments which the private sector is unwilling or unable to undertake.

47. Other types of limitations on the freedom of action of the private sector imposed by governments include the regulation of the monopolistic and restrictive practices of private -- and sometimes public -- enterprises; the protection of labor and consumers; the maintenance of public health and safety; and the elimination of other activities and conditions considered socially undesirable.

48. Governments have to consider not only the impact of restrictive or compulsory measures on the specific enterprises that have provoked them but also the broader effects on attitudes and motivations in the private sector as a whole, as well as the implications for achievement of the national development plan. Since inconsistencies between the objectives of the plan and private decisions are bound to arise from time to time, it is essential that machinery be provided for resolving those conflicts that are of strategic importance in a manner which is just to the individual enterprises involved and is in the best interest of the national development effort as a whole.

49. As already explained, national economic projections and forecasts are most useful tools for helping governments to determine the particular combination of public policies and programs needed to assist the private sector to perform its functions more effectively. But, whether these policies and programs will actually be carried out depends not only upon the availability of financial resources but, more fundamentally, upon the ability of the government to overcome the political and social resistances to change, the weaknesses in its own administrative capabilities, the resentment of influential capital interest groups, and sometimes even the apathy of the people themselves.

C. Private Planning and Participation in Public Planning.

50. The harmonization of public planning and private decision-making is not a one-sided process involving only policy choices and actions by the government. It also requires appropriate measures by private decision-makers.

51. In order to contribute most effectively to the national development effort, private enterprises need to engage in their own long-range planning, particularly of their investments in plant and equipment. It is desirable for large enterprises of all types to calculate the productive capacity, manpower, import, and financial resources they are likely to require during the planning period. These private plans should then be made available on a confidential basis to the government planning agency, and revised periodically. This applies particularly to what we have called strategic investments in the private sector. Mention has already been made of the desirability of meetings between government planners and the managers of such strategic private enterprises. These negotiations are important not only to ensure consistency in the requirements of the public and private sectors but also to foster constructive attitudes on both sides and mutual understanding.

52. If the private sector is to make the greatest possible contribution to the national development effort, the many different kinds of private decision-makers, large and small, have to be permitted and encouraged to participate actively in the public planning process so that they can acquire a sense of voluntary commitment to achieving the objectives of the national development plan. One method used in a number of countries is for the planning agency to establish advisory committees composed of representatives of industries, the farmers, the trade unions, and other significant private groups. In addition to such direct participation of the private sector in the planning process, each country will, of course, officially review and legally adopt its national development plan in accordance with its constitutional and political procedures.

53. Ultimately, the success of a national development plan depends upon the basic attitude toward it. To the extent that both public planners and private decision-makers recognize that the planning process is a tool, not an end in itself, the task of harmonizing public planning and private decision-making will be less difficult in practice and more fruitful in results. Successful fulfillment of this task will make a most important contribution to social and economic progress within a framework of democratically developing institutions.

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